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BUDGET MAKING IN CHICAGO

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Appropriations for public expenditure in the city of Chicago are made by the city council with the approval of the mayor. The mayor has also a veto power over specific items contained in the appropriation bills. This veto may be overridden by a two-thirds vote. Furthermore, the statute requires that the annual appropriation bill shall be passed during the first quarter of the fiscal year. Preliminary estimates of departmental needs for the ensuing year are presented to the controller on blanks prepared and sent out by him for this purpose. These estimates are received by the comptroller, revised and transmitted by him to the finance committee of the council. This body is composed of fifteen members appointed by the council itself. The chairman receives a salary of five thousand dollars a year and devotes the greater part of his time to the duties of this office. The finance committee, after a series of sessions covering ordinarily a period of about two months, recommends a budget to the entire council. During this period, hearings are held at which heads of departments, bureaus, city employees and interested citizens appear and present arguments. The budget transmitted to the council by the finance committee is considered by the council in committee of the whole and then by the council in regular session. In recent years the budget has been passed practically as recommended by the finance committee, although some additions are usually made by log-rolling methods. And in the last two years, budget increases have been made following the veto of the mayor upon items which he regarded as insufficient for departmental purposes. In the main, however, the budget passed is substantially the budget of the finance committee. In 1911 a log-rolling campaign increased the committee's budget by nearly two million dollars, but on the final vote, the overloaded budget failed to secure the necessary number of votes for passage, and consequently the whole budget was re-referred to the

finance committee and subsequently passed substantially as it was when originally introduced. In 1915 the budget was increased about \$100,000 as a result of various successive motions on the part of different aldermen, but after two days of this procedure, a motion was made to eliminate all such increases and this was carried by a decisive majority.

In 1910 the segregated budget system was adopted by the finance committee of the city council as the result of a recommendation made by the Commission on City Expenditures. The organization of this system and its installation were under direction of Mr. Herbert R. Sands, who was employed by the commission for that purpose. Prior to this time there had been a budget very inadequately subdivided under certain broad general heads. For example, although salaries were set out separately in most instances, they were frequently grouped in large sums. The same thing was true of the amounts allowed for the purpose of supplies and equipment. The following two items will illustrate the old system.

For the bureau of streets, the sum of \$2,017,540 was appropriated under the following title:

For the removal and disposition of garbage, street and alley cleaning, repair of improved and unimproved streets, sidewalk repairs. Salaries of yard men to be \$75.00 per month and the wages of laborers \$2.00 per day. Expenses of repairing improved and unimproved streets to be paid from the wheel taxes.

Again, in the police department \$205,000 was appropriated in the 1909 budget under the following title:

For repairs and renewals of wagons and harness, replacement and livestock, police telegraph expense, rents, renewals repairs equipment hospital service, printing and stationery, secret service, light and heat, twenty-five more horses and equipment for mounted police and for repair Hyde Park station, also for other miscellaneous expense.

The new budget plan provided for a detailed segregation of items previously grouped together. Instead of a lump sum of \$2,000,000 for the bureau of streets, under the new budget system was classified as follows:

1. Ward supervision other than salaries. (Amount allowed each ward set up separately.)
2. Cleaning streets and alleys.
 - a. Wages.
 - b. Hire teams, horses and carts.
 - c. General supplies.

3. Removal of garbage, ashes and refuse.
 - a. Wages.
 - b. Hire teams, horses and carts.
 - c. General supplies.
4. Repairing sidewalks. (Street labor charged to another account.)
 - a. Wages.
 - b. Hire teams, horses and carts. (Amount allowed each ward set up separately.)
 - c. Material for repairs and replacements by departmental repair.

This scheme has subsequently been modified in some particulars as a result of practical experience.

Furthermore a code number was given each separate account, leaving in the hands of the controller the power to make necessary changes in such code numbers. Accounts were set up in the controller's office with corresponding code numbers, thus making it impossible to exceed the amount authorized by the appropriation bill. In this way, it was made possible for the controller to keep an effective check over the particular appropriations. The 1915 budget provides, for example, (section three)

That the comptroller and the heads of the other departments and bureaus and offices of the city government shall administer the amounts appropriated in this bill by standard accounts as specified by the account numbers; designations of which may be amended or altered by the city controller to suit the needs of the particular classification and grading in the financial manual of the department of finance, in which is specified details of commodities, service, benefits and claims chargeable to such standard accounts respectively. And they are hereby prohibited from incurring any liabilities against any account in excess of the amount herein authorized for such account, and from changing any wage item, salary herein, and from incurring any liability which will necessitate a transfer from any appropriations for salaries or wages in their respective departments.

Practical experience has shown the need of modifying this system in some particulars, but in the main, the segregated budget plan of 1910 remains in operation.

One of the first difficulties in any budget system arises from the need of securing a greater flexibility in expenditures. Transfers from one account to another may easily undo the entire intent and purpose of a carefully itemized budget. The original system contemplated such transfers and provided that they could be made upon the recommendation of the comptroller through the finance committee on the approval of the council. In actual practice, however, considerable difficulty is found in effectively checking demands

for transfers of funds. If a particular bureau or department desires to conceal a juggling of the funds, it is at times very difficult to detect the real purpose. The amounts of these transfers are considerable and cover important operations. During the year 1914 they aggregated \$1,002,844. These items are of course scrutinized by the comptroller and by the chairman of the finance committee and approved by the council.

One of the practical difficulties of budget making in Chicago is the formation of an appropriation bill which will not exceed the estimated revenue of the city. It has been the custom for a number of years to appropriate all the probable receipts of the city from taxation, licenses and all other sources, and then to exceed this by a considerable amount. In the year 1914 the amount of over appropriation was \$3,178,644. In 1915 there was an over appropriation of \$2,740,765. This means of course that two million contained in the appropriation bill will not actually be expended unless the city draws upon some surplus existing at the beginning of the year available for that purpose. Some of the items appropriated that will not be expended during the year are very clearly evident, as for example, the formal appropriation for a bridge which undoubtedly will not be completed during the year. In most instances, however, it is not at all clear which items are to be expended and which are to remain paper items. There is what is called "hot air" in the appropriation, but it is never possible to localize it at the time the budget is passed. The effect of this over-appropriation is vicious, since every department head or bureau head knows that there is insufficient money to meet the amounts appropriated, and there ensues inevitable competition between the departments. Those expending their money early are sure of their appropriation allowance. Those who are frugal and saving may discover at the end of the year or towards the close of the year that the amount they have saved has been expended by others. In other words, a premium is put upon hasty action and extravagance on the part of the departments. It is literally true in dealing with over-appropriated budgets that the early bird gets the worm. Those who survive are not the most frugal, but those who are most liberal in anticipating their needs. Of course, the controller's office can and does to some extent check this tendency, otherwise the retreat would become a rout. This check is by no means effective, how-

ever, and leaves much to be desired in the way of public economy. It has been proposed that some limitation be placed upon the amount that is to be expended by a given bureau during any one month or during a quarter of the year, and it is probable some change will be made within a short time. The practical difficulty with this plan lies in the seasonal nature of much of the work of the municipality and the difficulty of accurately forecasting the seasonal needs of all such municipal agencies.

The state statute requires that each municipality in Illinois shall pass an annual appropriation bill during the first quarter of the fiscal year. The practice has been in Chicago to pass the budget late in January or early in February. In 1915, the budget was passed on February 8. However, numerous supplemental appropriations are made. During the year 1914 these amount to \$500,000. These have been justified partly on the ground that they were emergencies and partly on the ground that the law applies only to the appropriation of revenues obtained from taxation and not receipts from licenses, fees, interests, rents and other sources. In 1915 the city treasurer refused to honor warrants based upon these supplemental appropriations and suit has been brought in court to determine the intent of the state law. The lower court has rendered a decision that favors the practice adopted by the city for the many years, that is, of making supplemental appropriations where necessary in the judgment of the city council. If such supplemental appropriations were not permissible, it would be necessary either for the city to make unusually liberal appropriations for specific departments in order to cover possible needs during the year, or to provide a large contingent fund which might be drawn upon from time to time.

In Chicago during the last five years the chief impulse towards economy in appropriation has come from the city council. Singularly enough, the council has taken more interest in administrative efficiency and economy than the administration itself. It has been necessary for the council to investigate the expenditures of various departments and recommend administrative changes, and further for the council to oppose attempts on the mayor's part to increase the annual appropriation. This has made the task of the finance committee doubly great. The various departments undertook to escape what they call the iron rule of the finance committee

and increase their appropriations. As the chairman of the finance committee said one day, a department head asserted to him "I will slip it over on you anyway. If I can't get the money this way, I will find out another way." This is not true of course of all, or perhaps a majority of the departments. In some instances there has been close coöperation between the departments and the appropriating body.

The mayor of Chicago, although not a member of the finance committee, has from time to time been in attendance upon the meetings of the finance committee. This was not done by Mayor Dunne or Mayor Busse, but has always been the practice of Mayor Harrison. His presence in the committee room tended to increase appropriations rather than bring them down. Furthermore, the mayor's vetoes of budget items were made not because they were excessive, but because in his judgment, they were inadequate. In 1914 the mayor increased the budget \$250,000, of which, however, only one hundred thousand was allowed. Ordinarily the executives have endeavored to restrain the extravagant tendencies of the council and this has lead in numerous cases to the removal of the appropriating power from the council altogether. In Chicago, however, the council retains in full its original function of an appropriating body, namely, checking demands for expenditure made by the crown,—in this case, by the executive. I remember a few years ago in a budget making debate, an occasion when one of the aldermen suggested that certain items should be passed, because, as he said, you can put those items up to the mayor and he will veto such of them as he considers excessive, if the city's finances will not warrant them. I took the position that the power to make appropriations and supervise them is a function which the city council could not possibly delegate, but which they must most vigorously protect; and in this I was sustained by a large majority of the aldermen.

For many years the council felt the need of expert assistance in making the budget. In 1910 Mr. Sands aided in installing the segregated budget system and in subsequent years, different members of the efficiency division of the Civil Service Commission were helpful in sifting budget items. The finance committee felt, however, that more permanent assistance was necessary and, consequently, recommended last July an ordinance creating a board of standards and apportionment, which was passed by the city council

but has been vetoed by the mayor. This board was to consist of the chairman of the finance committee, the controller and three members of the finance committee selected by that body. The duties of the board would be to sift out the preliminary estimates of the departments and prepare a tentative budget for submission to the finance committee, and after the budget was passed, to supervise appropriations. It would be their duty to make such investigations or inquiries as were necessary for checking expenditures and to make constructive recommendations to the committee for the promotion of economy and efficiency in the use of public funds. There has been much discussion as to whether such an organization would be placed under the civil service commission, under the controller, or under the finance committee. There is probably no exclusive answer to this question, but in Chicago where the impulse to economy and efficiency comes from the council, the need of such a body immediately responsible to the representatives of the people is plain.